GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:193
ANSWERED ON:11.12.2015
Cooperative Banks
Jaunpuria Shri Sukhbir Singh

Will the Minister of FINANCE be pleased to state:

(a) the number of Cooperative Banks registered in the country as on date, State/ UT-wise;

(b) whether the total assets of the Cooperative Banks and the share thereof in the banking sector is not more than five per cent and if so, the details thereof;

(c) whether most of the Cooperative Banks are facing difficulties and have incurred losses due to short term loan distributed to the farmers and also inclusion of their agricultural income into tax net and if so, the details thereof;

(d) whether the Government proposes to compensate and provide tax rebate to these banks and if so, the details thereof, State-wise including Rajasthan; and

(e) the steps taken/being taken by the Government to revive the loss making Cooperative Banks?

Answer

The Minister of Finance

(a) to (e):- A Statement is laid on the Table of the House.
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Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question No. *193 to be answered on 11th December, 2015 regarding Cooperative Banks by Shri Sukhbir Singh Jaunapuria.

There are 1576 Urban Cooperative Banks(UCBs) in the country as on date. The number of Rural Cooperative Banks is 403, which include 33 State Cooperative Banks(StCBs) and 370 District Central Cooperative Banks(DCCBs). The State-wise list of Urban Cooperative Banks(UCBs), as reported by Reserve Bank of India, is given in Annexure-I. As regards the Rural Cooperative Banks, the State-wise lists of State Cooperative Banks (StCBs) and District Central Co-operative Banks (DCCBs), as reported by National Bank for Agriculture & Rural Development (NABARD), are given in Annexure-II & III respectively.

NABARD has reported that as on 31.3.2015, the total assets of the Indian Banking Sector (excluding Urban Cooperative Banks) constituted Rs.13054831.00 crore, out of which the total assets of Rural Cooperative Banks, i.e., StCBs and DCCBs account for Rs.607809.00 crore, constituting 4.66%. RBI has reported that the total assets of the UCB sector, as on 31.3.2015, were Rs.4,35,197 crore.

Under the Interest Subvention Scheme for Short Term Crop Loans upto Rs.3.00 lakh, the Cooperative Banks are given a subvention of 2% by the Government in respect of their own involved funds, for providing crop loans at 7% to farmers. Further, the cooperative banks get short term refinance from NABARD at the interest rate of 4.5% to the extent of 30%-60% (based on factors such as NPA level, location, etc.) of ground level credit flow. Thus, NABARD's refinance allows cooperative banks to earn 0.5% more as compared to the cases when their own funds are involved.

Section 80P of the Income-tax Act, 1961 presently provides hundred per cent deduction to co-operative societies of profits and gains of business attributable to marketing of agricultural produce grown by its members, purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members, processing, without the aid of power, of the agricultural produce of its members. Besides 100% deduction of profits and gains of a primary cooperative society from supply of milk, oilseed, fruits or vegetables raised or grown by its members to federal cooperative society engaged in same business is also available under section 80P of the Income tax Act. At present, there is no proposal to provide any further exemption.

In order to infuse capital in the Cooperative Banks, State Governments can avail of long term loans from NABARD up to a cap of 25% towards Share Capital contribution to Cooperative Banks.
Some of the other important measures by RBI/NABARD for improving the financial viability of Cooperative Banks are as under:
(i) The Cooperatives have been advised to raise capital by increasing their membership, to issue Long term (Subordinated) Debts (LTDs) and Innovative Perpetual Debt Instruments (IPDIs) permitted by RBI.
(ii) Fit & Proper criteria has been prescribed by RBI for appointment of Chief Executive Officers (CEOs) in Cooperative Banks. All States have been advised to amend their Acts as per the Constitutional (97th) Amendment Act, 2011 to appoint minimum two

professional directors on the boards of cooperative banks.
(iii) Continuous efforts by RBI/ NABARD and other stakeholders have resulted in Cooperative Banks implementing Core Banking Solution (CBS).

(iv) Training of the staff in the new products being offered through CBS by making use of the training facilities of the Cooperative Training Institutes (CTIs), which are financially supported by NABARD.

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